

**FRANKLIN TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
MARCH 31, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name FRANKLIN	County LENAWEE
Fiscal Year End MARCH 31, 2006	Opinion Date JUNE 29, 2006	Date Audit Report Submitted to State AUGUST 9, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY, CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Authorizing CPA Signature 		Printed Name PHILIP R RUBLEY	Zip 49256
		License Number 9223	

**FRANKLIN TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2006**

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION

Management Discussion and Analysis	1 - 6
Independent Auditor's Report	7 - 8
Government – Wide Statement of Net Assets	9
Government – Wide Statement of Activities	10 - 11
Governmental Fund Balance Sheet	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	13
Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Fund Statement of Net Assets	16
Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets	17
Reconciliation of the Statement of Revenues, Expenses and Changes in Net Assets of Enterprise Funds to the Statement of Activities	18
Proprietary Fund Statement of Cash Flows	19 - 20
Fiduciary Funds Statement of Net Assets	21
Notes to Financial Statements	22 - 33

REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Schedule – General Fund	34
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Combining Balance Sheet – Non-Major Governmental Funds

35

Combining Statement of Revenues, Expenditures and Changes in Fund Balance –
Non-Major Governmental Funds

36

FRANKLIN TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Franklin Township government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Township's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Township maintains 5 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Township maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township has an enterprise fund to account for sewer and water activity.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

FRANKLIN TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and community development.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories; governmental funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Township has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

FRANKLIN TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

The Township As A Whole

The Township's net assets for the year ended March 31, 2006 increased by 21.02% over the prior year. Management feels that even though the economic conditions have been slightly depressed in Michigan that the Township will continue to grow at a rate above inflation.

The governmental activities reflect net assets of \$931,683.

By far the largest portion of the Township's net assets (29.32%) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

FRANKLIN TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

FRANKLIN TOWNSHIP NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>
	<u>2006</u>	<u>2006</u>
<u>Revenue</u>		
Program Revenue:		
Charges for Services	\$ 64,280	\$ 94,933
Operating Grants and Contributions	---	---
Capital Grants and Contributions	---	---
General Revenue:		
Property Taxes	164,722	---
Grants and Contributions Not Restricted To Specific Program	198,495	---
Interest and Rentals Earnings	<u>24,894</u>	<u>15,996</u>
Total Revenue	<u>452,391</u>	<u>110,929</u>
<u>Expenses</u>		
General Government	104,073	---
Public Safety	35,396	---
Public Works	122,975	127,125
Community and Economic Development	12,734	---
Interest on Long-Term Debt	---	54,640
Other Functions	<u>15,376</u>	<u>---</u>
Total Expenses	<u>290,554</u>	<u>181,765</u>
Increase (Decrease) In Net Assets	161,837	(70,836)
Net Assets Beginning of Year	<u>769,846</u>	<u>3,346,201</u>
Net Assets End of Year	<u>\$931,683</u>	<u>\$3,275,365</u>

FRANKLIN TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

FRANKLIN TOWNSHIP NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2006</u>	<u>2006</u>
Current and Other Assets	\$897,723	\$2,100,724
Capital Assets	<u>36,650</u>	<u>2,276,057</u>
Total Assets	<u>\$934,373</u>	<u>\$4,376,781</u>
Long-Term Liabilities Outstanding	\$ ---	\$1,079,000
Other Liabilities	<u>2,690</u>	<u>22,416</u>
Total Liabilities	<u>2,690</u>	<u>1,101,416</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt	36,650	1,197,057
Unrestricted	735,689	2,078,308
Reserved for Building and Site	<u>159,344</u>	<u>---</u>
Total Net Assets	<u>\$931,683</u>	<u>\$3,275,365</u>

Government Activities

Government activities increased the Township's net assets by \$161,837.

The Township's Funds

Our analysis of the Township's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Trustee Board and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

FRANKLIN TOWNSHIP
Management's Discussion and Analysis
March 31, 2006

General Fund Budgetary Highlights

Differences between the original budget and amended budget were insignificant. Actual results in revenue were higher than budgeted, and expenses were significantly lower than budgeted numbers.

Capital Assets And Debt Administration

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2006, amounted to \$2,312,707 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the Township's investment in capital assets for the current year was 0%.

Long-term debt of the Township decreased by \$106,600. (see Note 8 of the basic financial statements). There was no new debt incurred in the fiscal year ended March 31, 2006.

Economic Factors And Next Year's Budget And Rates

The Township's budget for 2006-2007 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Townships Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office in Tipton, Michigan 49287.

PHILIP R. RUBLEY

- Certified Public Accountant -

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

June 29, 2006

Township Board
Franklin Township
Lenawee County
Tipton, Michigan 49287

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Franklin Township management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Franklin Township as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

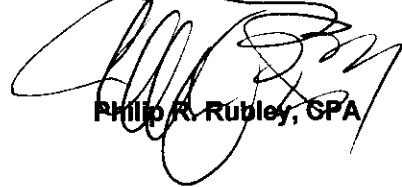
The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Franklin Township basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Franklin Township
June 29, 2006

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Philip R. Rubley", is written over the printed name.

Philip R. Rubley, CPA

PRR/cab

FRANKLIN TOWNSHIP
Government-wide Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Equivalents	\$ 781,155	\$1,167,043	\$1,948,198
Receivables - Net	8,672	805,674	814,346
Prepaid Items and Other Assets	107,896	128,007	235,903
Capital Assets Not Being Depreciated	33,312	---	33,312
Capital Assets Being Depreciated - Net	<u>3,338</u>	<u>2,276,057</u>	<u>2,279,395</u>
Total Assets	<u>\$ 934,373</u>	<u>\$4,376,781</u>	<u>\$5,311,154</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	\$ 2,690	\$ 22,416	\$ 25,106
Long-Term Liabilities:			
Due Within One Year	---	106,600	106,600
Due In More Than One Year	<u>---</u>	<u>972,400</u>	<u>972,400</u>
Total Liabilities	<u>2,690</u>	<u>1,101,416</u>	<u>1,104,106</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	36,650	1,197,057	1,233,707
Unrestricted	735,689	2,078,308	2,813,997
Reserved - Building and Site	<u>159,344</u>	<u>---</u>	<u>159,344</u>
Total Net Assets	<u>\$ 931,683</u>	<u>\$3,275,365</u>	<u>\$4,207,048</u>

FRANKLIN TOWNSHIP
Government-wide Statement of Activities
For The Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
<u>Governmental Activities:</u>					
General Government	\$104,073	\$ 26,579	\$ ---	\$ ---	\$ (77,494)
Public Safety	35,396	31,977	---	---	(3,419)
Public Works	122,975	5,569	---	---	(117,406)
Community and Economic Development	12,734	155	---	---	(12,579)
Other Functions	15,376	---	---	---	(15,376)
Total Governmental Activities	<u>290,554</u>	<u>64,280</u>	<u>---</u>	<u>---</u>	<u>(226,274)</u>
<u>Business-Type Activities:</u>					
Utilities	127,125	94,933	---	---	(32,192)
Interest on Debt	54,640	---	---	---	(54,640)
Total Business-Type Activities	<u>181,765</u>	<u>94,933</u>	<u>---</u>	<u>---</u>	<u>(86,832)</u>
Total	<u>\$472,319</u>	<u>\$159,213</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (313,106)</u>

FRANKLIN TOWNSHIP
Government-wide Statement Of Activities (Concluded)
For The Year Ended March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Changes In Net Assets</u>			
Net (Expense) Revenue	\$ (226,274)	\$ (86,832)	\$ (313,106)
General Revenues:			
Property Taxes and Assessments	164,722	---	164,722
Grants and Contributions			
Not Restricted To			
Specific Programs	198,495	---	198,495
Unrestricted Investment			
Earnings and Rentals	<u>24,894</u>	<u>15,996</u>	<u>40,890</u>
Total General Revenues, Contributions and Transfers	<u>388,111</u>	<u>15,996</u>	<u>404,107</u>
Change In Net Assets	161,837	(70,836)	91,001
Net Assets, Beginning of Year	<u>769,846</u>	<u>3,346,201</u>	<u>4,116,047</u>
Net Assets, End of Year	<u>\$ 931,683</u>	<u>\$3,275,365</u>	<u>\$4,207,048</u>

FRANKLIN TOWNSHIP
Governmental Funds
Balance Sheet
March 31, 2006

	<u>General Fund</u>	<u>Other Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash			
Equivalents	\$780,113	\$1,042	\$781,155
Prepaid Expenses	670	---	670
Receivables - Net	8,672	---	8,672
Due From Other Funds	<u>107,226</u>	<u>---</u>	<u>107,226</u>
Total Assets	<u>\$896,681</u>	<u>\$1,042</u>	<u>\$897,723</u>
<u>LIABILITIES</u>			
Accounts Payable/			
Accrued Liabilities	\$ 2,690	\$ ---	\$ 2,690
Deferred Revenue	<u>294</u>	<u>---</u>	<u>294</u>
Total Liabilities	<u>2,984</u>	<u>---</u>	<u>2,984</u>
<u>FUND BALANCES</u>			
Unreserved	734,353	1,042	735,395
Reserved - Building and Site	<u>159,344</u>	<u>---</u>	<u>159,344</u>
Total Fund Balances	<u>893,697</u>	<u>1,042</u>	<u>894,739</u>
Total Liabilities and Fund Balances	<u>\$896,681</u>	<u>\$1,042</u>	<u>\$897,723</u>

The notes to financial statements are an integral part of this statement.

FRANKLIN TOWNSHIP
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
March 31, 2006

Fund Balances – Total Governmental Funds \$894,739

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in
the funds.

Add: Capital Assets 114,219

Deduct: Accumulated Depreciation (77,569)

Revenue that has been billed as a receivable, but not collected
until later years, was not reported in the funds.

Add: Deferred Revenue 294

Net Assets of Governmental Activities \$931,683

FRANKLIN TOWNSHIP
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For The Year Ended March 31, 2006

	General Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>REVENUES</u>			
Taxes and Assessments	\$164,566	\$ ---	\$164,566
Intergovernmental	198,495	---	198,495
Licenses and Permits	32,657	---	32,657
Charges for Services	13,909	---	13,909
Interest and Rentals	24,891	3	24,894
Other	<u>17,714</u>	<u>---</u>	<u>17,714</u>
Total Revenue	<u>452,232</u>	<u>3</u>	<u>452,235</u>
<u>EXPENDITURES</u>			
Current:			
General Government	103,656	---	103,656
Public Safety	35,396	---	35,396
Public Works	122,975	---	122,975
Community Economic Development	12,734	---	12,734
Capital Outlay	160	---	160
Other Functions	<u>15,376</u>	<u>---</u>	<u>15,376</u>
Total Expenditures	<u>290,297</u>	<u>---</u>	<u>290,297</u>
Excess of Revenue Over (Under) Expenditures	<u>161,935</u>	<u>3</u>	<u>161,938</u>
Net Change in Fund Balances	161,935	3	161,938
Fund Balances – Beginning of Year	<u>731,762</u>	<u>1,039</u>	<u>732,801</u>
Fund Balances – End of Year	<u>\$893,697</u>	<u>\$1,042</u>	<u>\$894,739</u>

FRANKLIN TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
March 31, 2006

Net Change In Fund Balances – Total Governmental Funds

\$161,938

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital Outlay

Deduct: Depreciation Expense

(257)

Revenue deferred on the governmental funds report, which has been charged to receivable and thus income on the statement of activities.

Add: Deferred Revenue other adjustments

156

Change In Net Assets Of Governmental Activities

\$161,837

FRANKLIN TOWNSHIP
Statement of Net Assets
Proprietary Funds
March 31, 2006

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$1,167,043
Accounts Receivable	20,725
Special Assessment Receivable	176,665
Due from Tax Collection Fund	<u>128,007</u>
Total Current Assets	<u>1,492,440</u>
Noncurrent Assets:	
Property and Equipment - Net	2,276,057
Special Assessment Receivable	<u>608,284</u>
Total Noncurrent Assets	<u>2,884,341</u>
Total Assets	<u>\$4,376,781</u>
Liabilities	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 22,416
Bonds Payable Current Portion	<u>106,600</u>
Total Current Liabilities	<u>129,016</u>
Noncurrent Liabilities:	
Bonds Payable	<u>972,400</u>
Total Noncurrent Liabilities	<u>972,400</u>
Total Liabilities	<u>1,101,416</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	1,197,057
Unrestricted	<u>2,078,308</u>
Total Net Assets	<u>\$3,275,365</u>

FRANKLIN TOWNSHIP
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended March 31, 2006

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Operating Revenues	
Charges for Services	\$ 94,933
Total Operating Revenues	<u>94,933</u>
Expenses	
Administration/Maintenance	72,336
Depreciation	<u>54,789</u>
Total Operating Expenses	<u>127,125</u>
Operating (Loss)	<u>(32,192)</u>
Non-Operating Revenues (Expenses)	
Investment Income	15,996
Interest Expense and Fiscal Charges	<u>(54,640)</u>
Total Non-Operating Revenues (Expenses)	<u>(38,644)</u>
(Loss)	(70,836)
Net Assets, Beginning of Year	<u>3,346,201</u>
Net Assets, End of Year	<u>\$3,275,365</u>

The accompanying notes are an integral part of this financial statement.

FRANKLIN TOWNSHIP
Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities
March 31, 2006

Change In Net Assets – All Enterprise Funds	\$ (70,836)
No additional adjustments	<u>---</u>
Change In Net Assets Of Business-Type Activities	<u>\$ (70,836)</u>

FRANKLIN TOWNSHIP
Statement of Cash Flows
Proprietary Funds
For The Year Ended March 31, 2006

	Business-Type Activities
	<u>Enterprise Funds</u>
	<u>Utilities Fund</u>
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 111,289
Cash Payment to Suppliers For Goods and Services/Employees	<u>(72,336)</u>
Net Cash Provided (Used)	<u>38,953</u>
Cash Flows From Capital and Related Financing Activities	
Special Assessment Receivable	209,958
Bond Principal Payments	(106,600)
Bond Interest Payments	<u>(58,096)</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>45,262</u>
Cash Flows From Investing Activities	
Investment Income	<u>15,996</u>
Net Cash Provided (Used) by Investing Activities	<u>15,996</u>
Net Increase (Decrease) in Cash and Cash Equivalents	100,211
Cash and Cash Equivalents, Beginning of Year	<u>1,066,832</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,167,043</u>
Reconciliation to Statement of Net Assets	
Cash and Cash Equivalents	<u>\$ 1,167,043</u>

The accompanying notes are an integral part of this financial statement.

FRANKLIN TOWNSHIP
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended March 31, 2006

	Business-Type Activities - Enterprise Funds
	<u>Utilities Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating (Loss)	\$ (70,836)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	54,789
Changes in Assets and Liabilities:	
Accounts Receivable and Other Current Assets	(147,158)
Accounts Payable, Accrued Liabilities, Bonds Current Portion	<u>(3,456)</u>
Net Cash Provided (Used) by Operating Activities	<u>(166,661)</u>
Cash Flows From Financing Activities:	
Principal Paid on Bonds	(106,600)
Special Assessment Receivable	<u>373,472</u>
Net Cash (Used) from Financing Activities	<u>266,872</u>
Net Increase (Decrease) in Cash and Cash Equivalents	100,211
Cash and Cash Equivalents, Beginning of Year	<u>1,066,832</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,167,043</u></u>

The accompanying notes are an integral part of this financial statement.

FRANKLIN TOWNSHIP
Fiduciary Funds – Statement of Net Assets
March 31, 2006

	Current Tax Collection Fund	Trust and Agency Fund
<u>Assets</u>		
Cash and Cash Equivalents	<u>\$864,204</u>	<u>\$2,007</u>
Total Assets	<u>\$864,204</u>	<u>\$2,007</u>
<u>Liabilities</u>		
Due to Other Funds	\$235,233	\$ ---
Other Payables	<u>628,971</u>	<u>2,007</u>
Total Liabilities	<u>\$864,204</u>	<u>\$2,007</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Franklin Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Franklin Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The Utilities Fund is a proprietary fund which accounts for activities of the government's waste water system.

Additionally, the government reports the following fund types:

The Agency Funds account for assets held by the Township acting as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

5. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

6. **Long-Term Obligations** - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.
7. **Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of March of each year, the Township Board proposes a budget for review and holds public hearings and a final budget is adopted.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Board of Trustees.

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

B. Excess of Expenditures Over Appropriations In Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Township Hall	\$7,500	\$2,998	\$4,502
Trustee Board	4,500	4,844	344
Capital Outlay:	---	160	160
Community Economic Development:			
Planning and Zoning	8,500	2,516	5,984

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Township are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Township or its agent in the Township's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Checking, Savings and Certificate of Deposits	<u>\$100,000</u>	<u>\$2,714,409</u>	\$ ---	<u>\$2,814,409</u>	<u>\$2,814,409</u>
	<u>\$100,000</u>	<u>\$2,714,409</u>	\$ ---	<u>\$2,814,409</u>	<u>\$2,814,409</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$ 100,000
Uninsured:	
Uncollateralized	<u>2,714,409</u>
Total	<u>\$2,814,409</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets to deposits and investments as classified for note disclosure purposes is as follows:

Statement of Net Asset:

Cash and Cash Equivalents	<u>\$1,948,198</u>
	<u>1,948,198</u>

Statement of Fiduciary Net Asset:

Agency Funds:	
Cash and Cash Equivalents	<u>866,211</u>
	<u>866,211</u>
	<u>\$2,814,409</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 33,312	\$ ---	\$ ---	\$ 33,312
Total Capital Assets Not Being Depreciated	<u>33,312</u>	<u>---</u>	<u>---</u>	<u>33,312</u>
Capital Assets, Being Depreciated:				
Buildings	25,881	---	---	25,881
Equipment	55,026	---	---	55,026
Total Capital Assets Being Depreciated	<u>80,907</u>	<u>---</u>	<u>---</u>	<u>80,907</u>
Less Accumulated Depreciation For:				
Buildings	(25,881)	---	---	(25,881)
Equipment	(51,431)	(257)	---	(51,688)
Total Accumulated Depreciation	<u>(77,312)</u>	<u>(257)</u>	<u>---</u>	<u>(77,569)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,595</u>	<u>(257)</u>	<u>---</u>	<u>3,338</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,907</u>	<u>\$ (257)</u>	<u>\$ ---</u>	<u>\$ 36,650</u>
<u>Business-Type Activities</u>				
Capital Assets, Being Depreciated:				
Sewer System	\$2,739,451	\$ ---	\$ ---	\$ 2,739,451
Total Capital Assets Being Depreciated	<u>2,739,451</u>	<u>---</u>	<u>---</u>	<u>2,739,451</u>
Less Accumulated Depreciation For:				
Sewer and Water System	(408,605)	(54,789)	---	(463,394)
Total Accumulated Depreciation	<u>(408,605)</u>	<u>(54,789)</u>	<u>---</u>	<u>(463,394)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,330,846</u>	<u>(54,789)</u>	<u>---</u>	<u>2,276,057</u>
Business-Type Activities Capital Assets, Net	<u>\$2,330,846</u>	<u>\$ (54,789)</u>	<u>\$ ---</u>	<u>\$ 2,276,057</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

Depreciation expense was charged to functions/programs of the Township as follows:

<u>Governmental Activities:</u>	
General Government	\$ 257
Total Depreciation Expense Governmental Activities	<u>\$ 257</u>
<u>Business-Type Activities:</u>	
Utilities	\$ 54,789
Total Depreciation Expense Business-Type Activities	<u>\$ 54,789</u>

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At March 31, 2005, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$107,226	\$ ---
Sewer (Utilities)	128,007	---
Other Agency Funds	<u>---</u>	<u>235,233</u>
Total	<u>\$235,233</u>	<u>\$235,233</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 7 – PROPERTY TAXES

The Township bills and collects property taxes and also taxes for the County and several School Districts within its jurisdiction. Collections and remittances of the County and School taxes are accounted for in the Current Tax Collection Agency Fund. Township property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

Property taxes attach as an enforceable lien on the property as of January 1.

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 8 – LONG TERM DEBT

Bonds Payable - Lenawee County Sewage Disposal Bonds - Sewer Franklin used for construction of sewer system. Amount applicable to Franklin Township 52%. Total issue \$3,890,000 of which Franklin is \$2,022,800.

Purpose: Construction Sewer
Date of Bond: June 1, 1996
Interest Rate: 7.125% to 4.5%
Interest Payable: November 1st, May 1st
Original Amount of Issue: \$2,022,800

<u>Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
May 1, 2006	\$ 106,600	\$ 27,049	\$ ---
November 1, 2006	---	23,052	156,701
May 1, 2007	106,600	23,052	---
November 1, 2007	---	19,481	149,133
May 1, 2008	106,600	19,481	---
November 1, 2008	---	17,082	143,163
May 1, 2009	106,600	17,082	---
November 1, 2009	---	14,684	138,366
May 1, 2010	101,400	14,684	---
November 1, 2010	---	12,402	128,486
May 1, 2011	101,400	12,402	---
November 1, 2011	---	10,121	123,923
May 1, 2012	98,800	10,121	---
November 1, 2012	---	7,898	116,819
May 1, 2013	96,200	7,898	---
November 1, 2013	---	5,733	109,831
May 1, 2014	117,000	5,733	---
November 1, 2014	---	3,101	125,834
May 1, 2015	137,800	3,101	---
November 1, 2015	---	---	140,901
Total	<u>\$1,079,000</u>	<u>\$254,157</u>	<u>\$1,333,157</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

Debt service requirements over next five years are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 106,600	\$ 50,101
2008	106,600	42,533
2009	106,600	36,563
2010	106,600	31,766
2011	101,400	27,086
Thereafter	<u>551,200</u>	<u>66,108</u>
Total	<u>\$1,079,000</u>	<u>\$254,157</u>

FRANKLIN TOWNSHIP
Notes to Financial Statements
March 31, 2006

NOTE 9 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2006, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 10 – PENSION PLAN

The Township provides pension benefits for elected officials and full time employees through a defined contribution plan. The plan is through an insurance company in connection with the Michigan Township Association.

Officials/employees are eligible to participate at the first policy anniversary date after being employed and are at least twenty-one (21) years old. The contributions to the plan are invested in mutual funds.

Contributions to the plan in fiscal year 2005-2006 were \$5,490.

For fiscal year 2005-2006, the Township's salaries and wages were \$36,600 for covered participants.

Provisions of the plan are full immediate vesting; death benefit provided; and lump sum option available at retirement.

NOTE 11 – LINDBERG CEMETERY TRUST FUND

The Lindberg Cemetery Trust Fund was established by the Last Will and Testament of Addie Lindberg. The funds from this trust are restricted to the care and maintenance of her grave site.

FRANKLIN TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ 731,762	\$ 731,762	\$ 731,762	\$ ---
Taxes and Assessments	87,350	87,350	164,566	77,216
Intergovernmental	190,000	190,000	198,495	8,495
Licenses and Permits	32,100	32,100	32,657	557
Charges for Services	11,850	11,850	13,909	2,059
Interest and Rentals	3,900	3,900	24,891	20,991
Other	13,600	13,600	17,714	4,114
Amounts Available for Appropriation	<u>1,070,562</u>	<u>1,070,562</u>	<u>1,183,994</u>	<u>113,432</u>
<u>Charges to Appropriations (Outflows)</u>				
General Government				
Trustee Board	4,500	4,500	4,844	(344)
Supervisor	16,000	16,000	14,787	1,213
Treasurer	25,500	25,500	23,746	1,754
Assessing	22,000	22,000	21,628	372
Clerk	17,000	17,000	15,471	1,529
Elections	2,000	2,000	---	2,000
Attorney and Auditing	9,500	11,700	10,816	884
Cemetery	15,000	15,000	7,018	7,982
Board of Review	1,000	1,265	1,280	(15)
Township Hall	7,500	7,500	2,998	4,502
Board of Appeals	3,000	3,000	1,068	1,932
Public Safety				
Building Inspections	24,000	24,000	22,470	1,530
Electrical Inspections	14,000	14,000	12,926	1,074
Community Economic Development				
Planning and Zoning	8,500	8,500	2,516	5,984
Zoning Enforcement	10,000	10,000	10,218	(218)
Public Works				
Road and Maintenance	563,068	563,068	113,283	449,785
Street Lights	2,200	2,200	1,974	226
Drains	2,000	2,000	1,970	30
Sanitation	5,000	---	---	---
Other	6,000	6,000	5,748	252
Capital Outlay	---	---	160	(160)
Other Functions	<u>99,800</u>	<u>102,335</u>	<u>15,376</u>	<u>86,959</u>
Total Charges to Appropriations	<u>857,568</u>	<u>857,568</u>	<u>290,297</u>	<u>567,271</u>
Ending of Year Fund Balance	<u>\$ 212,994</u>	<u>\$ 212,994</u>	<u>\$ 893,697</u>	<u>\$ 680,703</u>

**FRANKLIN TOWNSHIP
Combining Balance Sheet
Non-Major Governmental Funds
March 31, 2006**

	Permanent <u>Fund</u>	Total Non-Major
	Lindberg Cemetery <u>Endowment</u>	Governmental <u>Funds</u>
<u>Assets</u>		
Cash	<u>\$1,042</u>	<u>\$1,042</u>
Total Assets	<u>\$1,042</u>	<u>\$1,042</u>
<u>Fund Balance</u>	<u>1,042</u>	<u>1,042</u>
Total Fund Balances	<u>\$1,042</u>	<u>\$1,042</u>

The notes to financial statements are an integral part of this statement.

FRANKLIN TOWNSHIP
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Non-Major Governmental Funds
For The Year Ended March 31, 2006

	Permanent Fund	Total Non-Major
	Lindberg Cemetery Endowment	Governmental Funds
<u>Revenues:</u>		
Interest and Rents	\$ 3	\$ 3
Total Revenue	<u>3</u>	<u>3</u>
<u>Expenditures:</u>		
General Government	<u>---</u>	<u>---</u>
Total Expenditures	<u>---</u>	<u>---</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>3</u>	<u>3</u>
<u>Beginning Fund Balance</u>	<u>1,039</u>	<u>1,039</u>
<u>Ending Fund Balance</u>	<u>\$1,042</u>	<u>\$1,042</u>

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

June 29, 2006

**Township Board
Franklin Township
Lenawee County
Tipton, MI 49287**

We have examined the combined financial statements of the Franklin Township and the combining, individual fund and account group financial statements of the Township as of and for the year ended March 31, 2006 and have issued our report thereon dated June 29, 2006. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended March 31, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

1. DISTRIBUTION OF TAX REVENUES

It is imperative that tax revenues collected be distributed within 15 days of receipt, to comply with MCL, to other authorities.

2. **UNIFORM CHART OF ACCOUNTS**

Updating and using the Michigan Uniform Accounting Chart of Accounts should be adhered to, because of new GASB 34, partially corrected in prior year.

3. **GENERAL LEDGER**

The general ledger needs to balance between the funds individually.

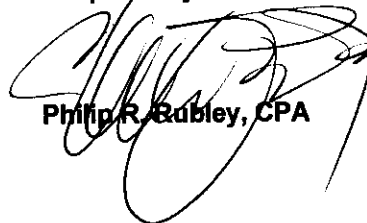
4. **BANKING ACCOUNTS**

Consider using additional banks to provide FDIC protection.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated June 29, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Philip R. Bubley", is written over the printed name.

Philip R. Bubley, CPA